TABLE OF CONTENTS

INTRODUCTION

The Principal objective of Metro Tasmania Pty Ltd is defined in the Metro Tasmania Act, 1997. It is:

"To provide, road passenger transport services in Tasmania and to operate those services in a manner consistent with sound commercial practice."

This legislation was enacted in February 1998 and established Metro Tasmania Pty Ltd as a State Owned Company operating under Corporations Law.

Metro Tasmania Pty Ltd has evolved from the former Metropolitan Transport Trust (MTT), which itself was formed in 1954 by the transfer of urban public transport services operated by the Hobart and Launceston City Councils to the Tasmanian Government. In 1959, MTT extended its operations to include urban bus services within the Burnie Municipality.

Metro provides a broad range of urban passenger transport bus services within Hobart, Launceston and Burnie, as well as between Wynyard, Burnie and Ulverstone. These services are specified within a Community Service Activity contract between Metro and the Department of Infrastructure, Energy and Resources (on behalf of the State Government). Full details of the general route services and special student services provided by Metro can be obtained by searching Metro's website at www.metrotas.com.au.

Metro also provides a range of local and statewide charter services, as well as special event services (such as for the Hobart Show).

In its Corporate Plan Metro has identified its "vision" as achieving excellence in passenger transport services and its "mission" as providing safe, reliable and quality road passenger transport services that balance stakeholder needs and sound commercial practices.

Metro's Corporate Plan also sets out the Goals, Targets and Strategic Actions that Metro will be pursuing over the next 3 years in pursuit of its vision. Metro's Corporate Plan can be downloaded from our website www.metrotas.com.au.

Metro now has a regional services division to operate services between Hobart and various regional centres. The services are delivered under individual route contracts with the Department of Infrastructure, Energy & Resources. They include services to Bothwell, Kingston, Blackmans Bay, the Channel, Richmond and New Norfolk.

Until 30 June 2005 all these regional services, other than Hobart to Bothwell, were delivered by Metro's wholly owned subsidiary Metro Coaches (Tas) Pty Ltd under the business name of Hobart Coaches. On 30 June 2005 the service contracts and business name were transferred to Metro as part of a corporate restructuring program.

Metro is the registered trading name of Metro Tasmania Pty Ltd. Hobart Coaches is the registered trading name for Metro's regional services division.

COMPANY DIRECTORY

Nature of Business:
Provision of bus transport services.

Issued Capital:
Two shares of $1.00 each.

Registered Office:
212 - 220 Main Road

Moonah, Tasmania

ABN Number:
30 081 467 281

Directors:
Sally Denny, Chairperson

Michael Wisby, Deputy Chairperson

Ketrina Clarke

Janie Dickenson

Robert Flanagan

Shareholders:
Crown of Tasmania

Senior Managers:
Laurie Hansen, Chief Executive Officer (to 30 June 2005)

Tony Sim, Chief Executive Officer (from 1 July 2005)

Tony Sim, Group Manager Operations & Engineering (to 30 June 2005).

Jack Lane, Manager Business Development

Anita Robertson, Chief Financial Officer

Bankers:
Commonwealth Bank of Australia

81 Elizabeth Street

Hobart, Tasmania

Auditor:
Auditor General

PRINCIPAL OFFICES

HOBART

Address:	Head Office 212-220 Main Road, Moonah, Tas
Postal Address:	PO Box 61, Moonah 7009
Telephone:	(03) 6233 4232
Facsimile:	(03) 6272 8770

LAUNCESTON

Address:	168 Wellington Street, Launceston, Tas
Postal Address:	PO Box 578, Launceston, 7250
Telephone:	(03) 6336 5888
Facsimile:	(03) 6336 5899

BURNIE

Address:	28 Strahan Street, Burnie, Tas
Postal Address:	PO Box 182, Burnie, 7320
Telephone:	(03) 6431 3822
Facsimile:	(03) 6431 9336

OTHER CONTACTS

E-mail:	correspondence@metrotas.com.au
Website:	www.metrotas.com.au
The Metro Shop:	Hobart GPO Elizabeth Street Hobart, 7000

CHAIRPERSON'S REVIEW

The 2004/05 financial year has been a good year for both Metro and Hobart Coaches:-

- Patronage levels for Kingston/Blackmans Bay have grown steadily;
- Patronage levels for other services have consolidated;
- Accessible buses are now operating in Launceston and Burnie as well as Hobart; and
- There has been a solid financial performance despite rapidly rising fuel prices.

The end of the financial year, 30 June 2005, has also been a key date for Metro for other reasons:-

- At a corporate level Metro acquired the business of its subsidiary company, Metro Coaches (Tas) Pty Ltd; and
- At a senior management level Laurie Hansen, Metro's CEO for the last 12 years, resigned and has been replaced by Tony Sim.

Operating Conditions

The Tasmanian economy has again performed strongly over the year. There remains a long-term underlying demographic shift away from school-age children and towards more retirees in the population. This shift has temporarily slowed in recent times in response to improved economic conditions. The underlying trend is expected to re-establish itself in coming years and it remains a key factor that will shape Metro's markets and services for the future.

Metro's fares for adult and tertiary student passengers were increased in January 2005 by approximately 7%, in response to underlying cost increases. However, the Government decided that fares for student and child passengers would not be increased. There has been no increase in Metro student fares since 1996.

The latest fare increase did appear to have some dampening effect on patronage levels, as well as causing some shifts in ticket types. In particular there appears to have been some shift away from off-peak day tickets (which were increased in price) and towards single trip child tickets (which were not increased in price).

In general workplace relations have been harmonious with a focus by employees and management on improving communication.

Patronage

There are two pictures that emerged in 2004/05 in relation to patronage.

The first is one of generally stable patronage levels for Metro services, after the effects of a delayed start to the 2005 school year has been taken into account.

Major efforts have been made by Metro over the last few years to turn around a historical declining trend in patronage levels. Patronage levels have stabilised, and management's attention is now focussing more clearly on identifying ways to increase patronage rather than halt historical declines.

The second picture to emerge is one of steady growth in patronage levels for the Hobart Coaches' Kingston and Blackmans Bay services. In March 2004 off-peak services to the area were increased and fares changed to be consistent with those charged by Metro. Patronage levels are now 22% higher than in the period prior to the introduction of the changes.

Management Changes

On 30 June 2005 Laurie Hansen resigned as CEO of Metro to move to Victoria for family reasons and to pursue a career in consulting. The Board at that time acknowledged the significant contribution made by Laurie in helping to establish Metro on a solid foundation, and to steer Metro through many difficult times in its formative years as a State Owned Company.

Laurie Hansen joined Metro in June 1991 as Operations Manager, and was appointed CEO in 1993

Laurie always maintained a strong belief in public transport, and the importance of customer service in ensuring that public transport remained relevant in the eyes of both the community at large and also the Government.

Laurie successfully saw Metro through a period where most other states privatised and tendered their public transport operations. As a result of genuine team efforts Metro has been able to demonstrate that publicly owned businesses can not only be highly efficient operations, but they can also be customer focussed.

Metro is fortunate that the new CEO, Tony Sim, has been one of the key members of the management team that Laurie led. Tony has more than 20 years senior management experience with Metro and its predecessor, the Metropolitan Transport Trust and the Board looks forward to working with Tony to meet the current and future challenges.

Financial Results

Metro's financial performance for the twelve months to 30 June 2005 has again exceeded expectations. A consolidated profit of $47,000 was achieved.

The profit for the year has been achieved despite a period of sustained increases in fuel prices, through rigorous control over other expenditure, The most significant saving has been in workers compensation insurance premiums.

Metro's contract payments are adjusted quarterly in accordance with cost movements as defined by the Metro Index. As a consequence there is generally a lag of 3 to 4 months between the time that costs increase and adjustments are made to contract payments. For 2004/05 the actual price Metro has paid for fuel has exceeded the fuel price used in calculating Metro's contract payments by on average 7 cents per litre. This is equivalent to $300,000 for the full financial year.

The future looks even more challenging for Metro with continued pressure on fuel prices and significant impacts on equity and financial performance that will flow from the adoption of the International Financial Reporting Standards.

Metro Coaches (Tas) Pty Ltd

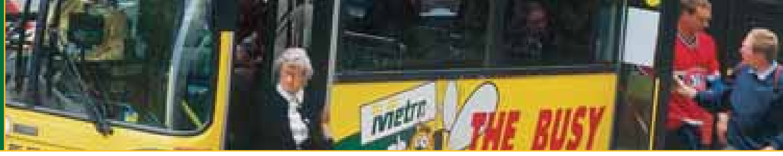
Hobart Coaches continued to perform solidly, recording an operating profit of $9,000 for 2004/05.

As reported, patronage levels for Kingston and Blackmans Bay increased substantially. It was also pleasing to see a 5% increase in patronage levels for New Norfolk following changes to services that had been made in 2003/04.

On 30 June 2005 Metro Coaches (Tas) Pty Ltd transferred its assets and liabilities to Metro Tasmania Pty Ltd as part of a corporate restructuring designed to deliver administrative efficiencies to the group as a whole. The bus service contracts previously held by Metro Coaches Pty Ltd together with the business name of Hobart Coaches, were transferred and now form the core of Metro's regional services operating division. Hobart Coaches' staff also transferred to Metro.

SALLY DENNY

CHAIRPERSON



CHIEF EXECUTIVE OFFICER'S REVIEW

This is my first report as CEO of Metro, as well as reviewing the last financial year I also want to underline the direction for Metro in the years ahead.

Increased patronage is the fundamental basis for Metro's future; and quality customer service together with products designed to meet customer needs are fundamental to increasing patronage.

Customer Service

Metro recognises the importance of good customer service, and the need for all levels of the organisation to not only accept the importance of customer service but to also work together as a team to deliver consistent quality service.

During the year Metro appointed two Customer Service Officers to take on a new role for the organisation. These officers are out on the buses talking to customers and seeing how we operate first hand.

A new Marketing Manager has been appointed whose focus is on more clearly defining what factors are important to our customers and our stakeholders, as well as ensuring that our services are designed to meet the needs of customers as effectively as possible.

Metro is into its fifth year of a bus replacement program and now has a total of 31 fully accessible, Disability Discrimination Act (DDA) compliant, buses operating in Burnie, Launceston and Hobart. The last eight buses acquired by Metro were also fitted with air-conditioning and this will now be standard on all new buses purchased by the company.

Almost 15% of the combined Metro and Hobart Coaches fleet is now fully accessible. With the newer vehicles more intensively used it has been possible to deliver almost 23% of urban general route services using accessible vehicles. Metro remains well on track to meet the DDA requirement to have at least 25% of its general route services delivered by accessible buses before October 2007.

Metro has been continuing to work on developing the specification of a new ticketing system. The new system will provide us with increased flexibility to offer different travel products to meet the needs of customers. The new ticketing system will also be linked to a global positioning system, which will enable us to more effectively plan our timetables as well as improve our monitoring of on-time performance. Customers place a high value on good information and reliability of services.

During the year we have had to modify a number of our timetables to take into account the gradually worsening traffic conditions on the roads, which resulted in some services being late arriving in Hobart. Improving on-road traffic conditions for buses will become increasingly important and will require close liaison between Metro, local government and the Department of Infrastructure, Energy and Resources (DIER).

In November 2004, with the co-operation of the Department, the "Give Way To Buses" pulling out from bus stops signs were introduced. Whilst these have had some positive impacts there are still many motorists who are reluctant to slow down to allow buses back into the traffic stream. We will continue to work with the Department to improve driver awareness of the need to give way to buses pulling out from kerbs, and to also identify measures that can be taken to make traffic operations more bus friendly – and hence more reliable for passengers.

A process to progressively review the services that Metro delivers has commenced in co-operation with the Department. This is part of a broader review of public transport services being undertaken by DIER. This increasing recognition of the importance of public transport in the community is welcome and should provide the opportunity for Metro to better meet the needs of its customers.

Fuel Prices

High fuel prices and the impact on family budgets have caused some to look to alternative transport. Whilst patronage levels as a whole have been reasonably stable in 2004/05 adult patronage levels increased by 2.1% in 2004/05.

Metro has and will continue to promote its services as a viable alternative to the use of private vehicles as pressure on fuel prices continues

Metro Sponsorship And Community Support

Metro undertakes a range of sponsorships as part of its strategy to increase its profile amongst key client groups to help promote the long-term use of Metro services. Metro also supports a range of community groups and community activities as part of its role of being a good corporate citizen.

During 2004/05 Metro sponsored the following:

- Football Tasmania (Tassie Mariners U16 and U18 representative teams);
- Neighbourhood Watch Tasmania Inc;
- Junior Netball;
- Point to Pinnacle;
- Police Citizen and Youth Club Bridgewater;
- Hobart Christmas Pageant;
- CANTEEN;
- Road Safety Task Force;
- Southern Cross Special Children's Christmas Party;
- Operation NOAH;
- Seniors Week;
- Royal Guide Dogs For The Blind;
- Streets Alive;
- Hobart Summer Festival.

Metro also donates transport services, provides financial assistance or supports a range of community organisations in other ways. Metro, and Metro staff, are very proud to be an active part of the Tasmanian community.

Tony Sim

CHIEF EXECUTIVE OFFICER

STATISTICS AND PERFORMANCE INDICATORS

Except where indicated the following information relates to the operations of Metro and does not include the operations of Metro's subsidiary, Hobart Coaches.

Passenger Levels

The total number of first boardings on timetabled route services declined by 1.1% in 2004/05 compared to the previous financial year. However, this decline can be attributed to the following factors:-

- The start of the 2005 school year was delayed by one week resulting in fewer school days, and more school vacation days in 2004/05.
- In 2005 Anzac Day fell on a Monday, compared to a Sunday in 2004. This resulted in one extra public holiday and one fewer business day.

Metro carries more passengers on weekdays during school terms, and the reduced number of such days in 2004/05 compared to the previous year, would have led to a decrease in trips of 1.2%. This is in line with the decrease actually recorded.

Passenger figures also show a reduction in Adult Concession passengers. This can be explained by two factors:

- Improving economic conditions will reduce the proportion of the population qualifying as concessional travellers; and
- In January 2005 the price of Adult and Adult Concession fares increased whilst student/child fares did not. This has resulted in more Child passengers choosing to use single trip tickets rather than the off-peak Day-Tripper tickets. Day-Tripper trips are all recorded as Adult Concession boardings.

Table 1 - First Boardings By Passenger Category - Route Services

Passenger	Number of Trips		% Composition		Increase (Decrease) to Previous Year
	2004/05 000's	2003/04 000's	**2004/05 %**	2003/04 %	%
Adult Fare	**1,713**	1,678	**21.8**	21.1	2.1
Adult Concession	**2,810**	2,935	**35.8**	37.0	(4.3)
Child & Student	**3,336**	3,330	**42.4**	41.9	0.2
TOTAL:	**7,859**	7,943	**100.0**	100.0	(1.1)

Notes: Figures may not add up exactly due to rounding.

Total passenger boardings, including transfers and charter contract services also show a slight decline compared to the previous year, but overall passenger levels have been fairly stable for the last seven years (see Table 2).

The proportion of passengers using pre-paid tickets remains below 50%, despite the 20% discount offered for Metro's ten-ride or ten-day ticket products (Table 3).

Table 2 - Total Passenger Trips (including transfers and charter services)

	Hobart	Launceston	Burnie	Total
1994/95	8,750,000	2,270,000	750,000	11,770,000
1995/96	8,583,000	2,261,000	714,000	11,558,000
1996/97	7,908,000	2,086,000	645,000	10,639,000
1997/98	7,390,000	1,993,000	613,000	9,996,000
1998/99	7,165,000	1,855,000	548,000	9,568,000
1999/00	7,056,000	1,807,000	516,000	9,379,000
2000/01	7,167,000	1,950,000	509,000	9,626,000
2001/02	7,191,000	1,903,000	532,000	9,626,000
2002/03	7,177,000	1,819,000	546,000	9,542,000
2003/04	7,243,000	1,847,000	530,000	9,620,000
2004/05	**7,159,000**	**1,794,000**	**502,000**	**9,455,000**

Note: Figures exclude non urban passengers trips on Bothwell services, which were 6049 in 2003/04 and 7287 in 2004/05

Table 3 - Trends in Prepaid Ticket Use as a % of First Boardings For Different Passenger Categories.

	Adult %	Adult Concession %	Child/Student %	Total All Categories %
1997/98	32.3	22.9	66.3(ii)	50.9(i)
1998/99	31.9	22.1	62.8(ii)	49.9(i)
1999/00	32.0	20.7	63.0(ii)	48.6(i)
2000/01	33.3	20.2	62.2(ii)	47.7(i)
2001/02	33.3	20.2	60.7(ii)	46.4(i)
2002/03	34.0	20.0	59.5(ii)	46.2(i)
2003/04	34.5	20.3	58.2(ii)	46.6(i)
2004/05	**34.3**	**22.4**	**55.2(ii)**	**46.8(i)**

(i) Total All Categories - free trips made by eligible school children are included as "pre-paids".
(ii) Child/Student statistics exclude free school trips.

Metro Fleet And Workforce

Metro now has accessible buses in all centres. Table 4 shows the proportion of the fleet that is accessible, as well as the proportion of general route services that are delivered by accessible buses in each centre.

Table 4 - Percentage Of Metro(i) General Route Services Delivered By Accessible Buses (as at 30 June 2005)

	Hobart (inc K/BB)	Launceston	Burnie	State
% Fleet Accessible	16.4%	8.0%	13.3%	14.4%
% Weekly Trips	25.5%	8.8%	13.9%	22.5%

(i) Includes services for Kingston and Blackmans Bay, and the combined Metro plus Hobart Coaches fleets.

Table 5 - Number of Buses in Service (As at 30 June 2005)

	Hobart Coaches Fleet	Metro Fleet			
		Hobart	Launceston	Burnie	Total
M.A.N.	1	11	9	2	23
Mercedes Benz	1	-	-	-	1
Scania	11	83	37	11	142
Scania Low Floor (12.5m)	-	22	4	2	28
Scania Low Floor (14.5m)	-	3	-	-	3
Volvo Articulated	1	19	-	-	20
Totals	14	138	50	15	217
Special Bus Features :-					
Accessible Buses	-	25	4	2	31
Video Surveillance	2	33	7	2	44
Air Conditioned	3	8	-	-	11

Table 6 - Metro Workforce And Fleet Utilisation Statistics

	2004/05 (i)	2003/04
Average FTE's per vehicle	**1.80**	1.85
Sick leave days per FTE	**8.3**	7.2
Number of workers compensation claims received	**83**	64
Number of employees at 30 June	**441**	425
Average FTE's during year	**380.35**	370.0
Number of employees entering service	**50**	42
Number of employees leaving service	**34**	33
Percentage of vehicles in excess of maximum daily demand	**11.4**	11.1

(i) Includes Metro Coaches information

Web Site

Metro provides access to a wide range of information through its web site; www.metrotas.com.au. The site provides a comprehensive source of information on Metro and its services. Information on Hobart Coaches services can be obtained either through the links from the Metro web site or through Hobart Coaches own web site www.hobartcoaches.com.au.

Public Interest Disclosures

Metro is required to establish procedures for the disclosure and investigation of improper conduct or detrimental action. These procedures have been made accessible via Metro's web site. No disclosures were made to or about Metro during the financial year.

DIRECTORS' REPORT

The Directors of Metro Tasmania Pty Ltd submit herewith the financial report for the year ended 30 June 2005.

Principal Activities

Metro's principal activity during the financial year was the provision of bus passenger transport services in the Tasmanian urban centres of Hobart, Launceston and Burnie and its subsidiary Metro Coaches (Tas) Pty Ltd trading as Hobart Coaches operated services to Kingston/Blackmans Bay, Channel, Richmond and New Norfolk.

Overview of Operations

Metro and its controlled entity achieved a profit of $47,000 for the financial year. This is another pleasing result after the consolidated profit for last financial year of $63,000. These results are significant as Metro's contract arrangements are based on break-even outcomes.

Patronage decreased in 2004/05 for Metro by 1.1% whilst Hobart Coaches patronage increased by 18.8% (largely due to the increased patronage in Kingston/Blackmans Bay). The decrease is mainly due to a late start to the school year in 2005, which meant less school days in the financial year. Despite the marginal decline this year for Metro it is another pleasing result for patronage which continues to be considerably better than long-term predictions of a 2.5% annual decline.

Further comment on operations is included in the Chairperson's Review and the Chief Executive Officer's Review.

Changes in State Of Affairs

During the twelve months there was no significant change in the state of affairs of the entity other than that referred to in the financial statements or notes thereto. Note 1 (a) discloses that Metro acquired the assets and liabilities of its subsidiary on 30 June 2005 and will now provide the services through Metro's regional services division.

Superannuation Declaration

The Company has met its obligations under the Superannuation Guarantee (Administration) Act 1992 in respect of those employees who are members of a complying superannuation scheme to which Metro contributes. Metro also has a defined benefit scheme, under the Retirement Benefits Act 1993, which is subject to actuarial valuations and covers current and former employees.

Subsequent Events

There has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operation of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operation of the entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the entity. Accordingly, this information has not been disclosed in this report.

Dividends

No dividend is payable in respect of Metro's operating profit this year and no dividend was paid in respect of last year's operating profit.

Directors' Remuneration

Fees paid to Directors are set by shareholders. During the twelve months, no Director has received, or become entitled to receive, a benefit by reason of a contract made by the Company with a Director or with a firm of which he or she is a member or an entity in which he or she has a financial interest.

Indemnification of Directors and Officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all Executive Officers of the Company and its related body corporate against potential liabilities to the extent permitted by Corporations Law.

Corporate Governance

Corporate Governance is the system by which the activities of a company are controlled and coordinated in order for the company to achieve its desired outcomes.

As a State Owned Company the Board of Directors is responsible to its shareholders, the Minister for Infrastructure, Energy and Resources and the Treasurer, for meeting the aspirations of the State Government and it directs management accordingly.

The Board performs this role by:

- Appointing and monitoring the performance of the Chief Executive Officer;
- Clearly identifying and enunciating the strategic direction for Metro;
- Identifying and addressing the principal risks for Metro;
- Monitoring the conduct and performance of the Company through an integrated framework of controls;
- Ensuring all Metro's business is conducted in an honest, open and ethical manner; and
- Ensuring adequate succession planning is undertaken

During the year a Remuneration Committee, consisting of two members of the Board and the Chief Executive Officer was established to develop and make recommendations in relation to remuneration policy and approve employment contracts for Metro's senior managers. In addition the Committee is to review any proposal for changes to employee benefit structures throughout Metro and report to the Board on the likely impacts of such changes.

Tasmanian Audit Office

Auditors Independence Declaration

To the Board Members of Metro Tasmania

In accordance with section 307C of the Corporations Act 2001, I provide the following declaration of independence.

As the auditor of the financial report of Metro Tasmania Pty Ltd and its subsidiary, Metro Coaches Pty Ltd, for the financial year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) Any applicable code of professional conduct in relation to the audit.

Pursuant to section 298(1)(c) a copy of this declaration must be included in the Director's report.

Yours sincerely

D W R Baulch

Deputy Auditor-General

Audit Committee

Metro has an Audit Committee which during the year was constituted of three members of the Board and was chaired by the Deputy Chairperson of the Board. This committee closely monitors the operational and financial aspects of the Company's activities in conjunction with the internal auditors and develops strategies for action regarding financial and operational risks facing the Company.

Risk Management

During the year, Metro continued work on the three-phase risk management strategy developed in 2003/04. This involved the identification of risks in all areas of the organisation, the development of action plans to mitigate these risks and the ongoing review and monitoring of these plans to ensure that Metro's overall risk management strategy is adequately addressed.

Rounding Off of Amounts

Metro is a company of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order amounts in the Directors' Report and the Financial Report have been rounded off to the nearest thousand dollars.

Signed in accordance with the resolutions of the Directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors

Sally Denny

CHAIRPERSON OF DIRECTORS

Hobart, 16 September 2005

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) The attached Statement of Financial Performance of the Company gives a true and fair view of the Company's profit for the financial year ended 30 June 2005;

(b) The attached Statement of Financial Position of the Company gives a true and fair view of the Company's state of affairs as at 30 June 2005; and

(c) There are, when this statement is made out, reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Directors made pursuant to S. 295(5) of the Corporations Act 2001.

On behalf of the Directors.

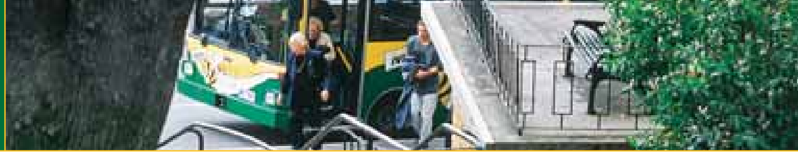
Sally Denny

CHAIRPERSON OF THE BOARD OF DIRECTORS

Michael Wisby

MEMBER OF THE BOARD OF DIRECTORS

Hobart, 12 August 2005.



Tasmanian Audit Office

INDEPENDENT AUDIT REPORT

To the Members of Metro Tasmania Pty Ltd

Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the consolidated financial statements published in both the annual report and on the website of Metro Tasmania Pty Ltd for the year ended 30 June 2005. The Company's Directors are responsible for the integrity of both the annual report and the website.

The audit report refers only to the financial statements and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the financial statements in the Company's annual report.

Scope

The financial report and the Director's responsibilities

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements and the Director's declaration for the year ended 30 June 2005. The financial report includes the consolidated financial statements of the economic entity, comprising the Company and the entities it controlled at the financial year's end or from time to time during the financial year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

I conducted an independent audit in order to express an opinion to the members of the Company. My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

I formed my audit opinion on the basis of these procedures, which included: -

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

The Audit Opinion expressed in this report has been formed on the above basis.

Statement of Continued Independence

My independence declaration provided to the Directors of Metro Tasmania Pty Ltd dated 8 August 2005 and included in the Director's Report, would be unchanged if provided to the Directors as at the date of this audit report.

Audit Opinion

In my opinion the financial report of Metro Tasmania Pty Ltd is in accordance with:

a. Corporations Act 2001, including:

   i. Giving a true and fair view of the financial position of Metro Tasmania Pty Ltd and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date, and

   ii. Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b. Other mandatory financial reporting requirements in Australia.

TASMANIAN AUDIT OFFICE

D W R Baulch

Deputy Auditor-General
Delegate of the Auditor-General

HOBART
18 August 2005

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	Consolidated 2005 $000's	Consolidated 2004 $000's	Company 2005 $000's	Company 2004 $000's
Current Assets					
Cash Assets	19 (a)	2 347	2 445	2 347	2 444
Receivables	2	980	946	980	907
Inventories	3	861	793	861	792
Other Financial Assets	4	9 337	5 990	9 337	5 990
Other	5	461	460	461	450
Total Current Assets		13 986	10 634	13 986	10 583
Non-Current Assets					
Property, Plant and Equipment	6	30 149	32 379	30 149	31 520
Intangibles	7	63	79	63	0
Other	8	193	193	193	1 593
Total Non-Current Assets		30 405	32 651	30 405	33 113
Total Assets		44 391	43 285	44 391	43 696
Current Liabilities					
Payables	9	2 809	2 626	2 916	3 197
Interest-Bearing Liabilities	10	35	2 826	35	2 826
Provisions	11	6 976	5 954	6 976	5 920
Total Current Liabilities		9 820	11 406	9 927	11 943
Non-Current Liabilities					
Interest-Bearing Liabilities	10	2 792	35	2 792	35
Provisions	11	10 341	10 294	10 341	10 266
Total Non-Current Liabilities		13 133	10 329	13 133	10 301
Total Liabilities		22 953	21 735	23 060	22 244
Net Assets		21 438	21 550	21 331	21 452
Equity					
Contributed Equity	12	15 503	15 503	15 503	15 503
Reserves	13	5 373	5 704	5 373	5 665
Retained Profits	14	562	343	455	284
Total Equity	15	21 438	21 550	21 331	21 452

The Statement of Financial Position is to be read in conjunction with the accompanying Notes to the Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated 2005 $000's	Consolidated 2004 $000's	Company 2005 $000's	Company 2004 $000's
Revenue					
Revenue from Traffic Operations		32 269	30 457	30 912	29 164
Other Revenues from Ordinary Activities		1 333	1 351	1 348	1 405
		33 602	31 808	32 260	30 569
Expenses					
Traffic Operations		(24 755)	(23 474)	(23 783)	(22 548)
Engineering and Maintenance Services		(4 925)	(4 403)	(4 596)	(4 127)
Administration and General		(3 683)	(3 667)	(3 651)	(3 632)
Borrowing Costs		(192)	(201)	(192)	(201)
		(33 555)	(31 745)	(32 222)	(30 508)
Profit / (Loss) From Ordinary Activities Before Taxation Equivalent	18	47	63	38	61
Taxation Equivalent Benefit Relating to Ordinary Activities	20	0	0	0	0
Net Profit / (Loss)		47	63	38	61
Total Changes in Equity Other Than Those Resulting from Transactions with Owners as Owners	15	47	63	38	61

The Statement of Financial Performance is to be read in conjunction with the accompanying Notes to the Financial Statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated 2005 $000's	Consolidated 2004 $000's	Company 2005 $000's	Company 2004 $000's
Cash Flows From Operating Activities					
Inflows					
Receipts from Customers		34 589	32 360	33 430	31 249
Interest Received		546	477	546	517
		35 135	32 837	33 976	31 766
Outflows					
Payments to Suppliers and Employees		29 756	28 062	28 638	26 987
Payments for Interest Expense		234	227	192	201
		29 990	28 289	28 830	27 188
Net Cash Provided by Operating Activities	19 (b)	5 145	4 548	5 146	4 578
Cash Flows From Investing Activities					
Inflows					
Proceeds on Disposal of Property, Plant & Equipment		448	123	448	65
		448	123	448	65
Outflows					
Purchase of Property, Plant & Equipment		2 310	6 354	3 078	6 326
Purchase of Intangibles		0	0	63	0
Purchase of Investments		3 347	302	3 347	302
		5 657	6 656	6 488	6 628
Net Cash Used in Investing Activities		(5 209)	(6 533)	(6 040)	(6 563)
Cash Flows From Financing Activities					
Inflows					
Proceeds from Private Borrowings		2 792	0	4 192	0
		2 792	0	4 192	0
Outflows					
Retirement of Private Borrowings		2 792	0	3 361	0
Retirement of Treasury Borrowings		34	169	34	169
		2 826	169	3 395	169
Net Cash Used in Financing Activities		(34)	(169)	797	(169)
Net Increase in Cash Held		(98)	(2 154)	(97)	(2 154)
Cash at Beginning of Financial Year		2 445	4 599	2 444	4 598
Cash at End of Financial Year	19 (a)	2 347	2 445	2 347	2 444

The Statement of Cash Flows is to be read in conjunction with the accompanying Notes to the Financial Statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Metro Tasmania Pty Ltd was incorporated on 2 February 1998 under the Metro Tasmania Act 1997. This company is the successor in law of Metropolitan Transport Trust. On the date of incorporation the property of the Trust was vested in Metro Tasmania Pty Ltd and the liabilities of the Trust became the liabilities of Metro Tasmania Pty Ltd.

Shares issued to the Members of the Company (2 shares at $1 each) are held in trust for the Crown by the Stakeholder Minister (The Treasurer) and the Portfolio Minister (Minister for Infrastructure, Energy & Resources).

On 30 June 2005, Metro Tasmania Pty Ltd acquired the current business (being transfer of ownership title in the identifiable assets and liabilities) of it's subsidiary Metro Coaches (Tas) Pty Ltd. The identifiable assets and liabilities were purchased at their fair value at acquisition date.

Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial statements have been prepared on an historical cost basis and do not take into account changing money values, except for land, buildings and buses which are measured at fair value.

(b) International Financial Reporting Standards

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable to reporting periods ended 30 June 2005.

For reporting periods beginning on or after 1 January 2005, the Company must comply with Australian equivalents to International Financial Reporting Standards (AIFRS). This means that the AIFRS will be fully applied for the first time when preparing the Company's 2005/2006 financial report.

The application of AIFRS for the 2005/2006 financial year will require the comparative figures to be restated. This is because the new standards cannot be adopted prior to 1 January 2005. At that time the Company is required to restate the comparatives as though the standards have always been applied. This is in accordance with AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards which requires retrospective application of the new AIFRS from 1 July 2004. Similarly, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires the changes in accounting policies as a result of applying AIFRS to be accounted for retrospectively by restating the comparatives and adjusting the opening balance of retained earnings. The application of the AIFRS will result in a significant reduction in the Company's equity upon adoption, as can be seen upon review of the restated balances for both the parent and consolidated entity as follows.

Restatement of Comparative Information

Reclassification of Short-term Investments

The definition of cash and cash equivalents have been widened to include short term investments that are readily converted to cash. At transition date 1 July 2004, Metro's investment in the form of a "cash indexed guarantee fund" will be reclassified as cash on hand.

Reclassification of Non-current Assets Classified as Held for Sale (Current)

At transition date 1 July 2004, AASB 101 requires non-current assets classified as held for sale to be presented separately from other assets and liabilities on the balance sheet. A non-current asset is classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather then through continuing use, the asset is available for immediate sale in its current condition, and its sale is highly probable. Furthermore, assets held for sale will be reclassified as current assets when it is highly probable that their sale will be realised within 12 months of report date.

Restatement of Retirement Benefits

The main impact of adopting AIFRS from 1 January 2005 for the Company is the change to the discount rate used to calculate the value of the retirement benefits liability (a defined benefits plan). The discount rate currently used by the Actuary will change from a rate based on expected earnings to a high quality corporate bond rate. Adjustments to opening balances for retirement benefits as a result of the application of AIFRS will be applied directly against retained profits. This will result in a significant reduction in the Company's equity upon adoption, and the movement in rate between financial years may result in volatility in reported profits/losses.

Net Profit Under AGAAP Compared to That Under AIFRS for the Year Ended 30 June 2005

A consolidated profit of $47,000 was reported under AGAAP for the year ended 30 June 2005. The retirement benefits provision calculated under AASB 119 has increased and would result in additional expense for the year of approximately $185,000, which would therefore result in a net loss of $138,000 under AIFRS. The Company is waiting on final confirmation of this from the Actuary.

The Company is expected to be in a position to fully comply with the requirements of AIFRS for the 2005/2006 financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

COMPANY

	2005 $000's (restated)	2004 $000's (restated)
RESTATEMENT OF CASH ASSETS		
Balance At End Of Year - As Previously Reported	2 347	2 444
Adjustment On Adoption Of AIFRS	9 337	5 990
Restated Balance At End Of Year	11 684	8 434
RESTATEMENT OF OTHER FINANCIAL ASSETS (CURRENT)		
Balance At End Of Year - As Previously Reported	9 337	5 990
Adjustment On Adoption Of AIFRS	(9 337)	(5 990)
Restated Balance At End Of Year	0	0
RESTATEMENT OF PROPERTY, PLANT & EQUIPMENT (CURRENT)		
Balance At End Of Year - As Previously Reported	0	0
Adjustment On Adoption Of AIFRS	600	270
Restated Balance At End Of Year	600	270
RESTATEMENT OF PROPERTY, PLANT & EQUIPMENT (NON-CURRENT)		
Balance At End Of Year - As Previously Reported	30 149	31 520
Adjustment On Adoption Of AIFRS	(600)	(270)
Restated Balance At End Of Year	29 549	31 250
RESTATEMENT OF RETAINED PROFITS		
Reported Retained Profits At The End Of The Year	455	284
Adjustment On Adoption Of AIFRS	(5 541)	(3 083)
Restated Retained Profits At End Of Year	(5 086)	(2 799)
RESTATEMENT OF CURRENT PROVISION FOR EMPLOYEE BENEFITS (RETIREMENT BENEFITS)		
Balance At End Of Year - As Previously Reported	3 291	2 802
Adjustment On Adoption Of AIFRS	1 405	698
Restated Balance At End Of Year	4 696	3 500
RESTATEMENT OF NON-CURRENT PROVISION FOR EMPLOYEE BENEFITS (RETIREMENT BENEFITS)		
Balance At End Of Year - As Previously Reported	9 684	9 577
Adjustment On Adoption Of AIFRS	4 136	2 385
Restated Balance At End Of Year	13 820	11 962

CONSOLIDATED

	2005 $000's (restated)	2004 $000's (restated)
RESTATEMENT OF CASH ASSETS		
Balance At End Of Year - As Previously Reported	2 347	2 445
Adjustment On Adoption Of AIFRS	9 337	5 990
Restated Balance At End Of Year	11 684	8 435
RESTATEMENT OF OTHER FINANCIAL ASSETS (CURRENT)		
Balance At End Of Year - As Previously Reported	9 337	5 990
Adjustment On Adoption Of AIFRS	(9 337)	(5 990)
Restated Balance At End Of Year	0	0
RESTATEMENT OF PROPERTY, PLANT & EQUIPMENT (CURRENT)		
Balance At End Of Year As Previously Reported	0	0
Adjustment On Adoption Of AIFRS	600	270
Restated Balance At End Of Year	600	270
RESTATEMENT OF PROPERTY, PLANT & EQUIPMENT (NON-CURRENT)		
Balance At End Of Year - As Previously Reported	30 149	32 379
Adjustment On Adoption Of AIFRS	(600)	(270)
Restated Balance At End Of Year	29 549	32 109
RESTATEMENT OF RETAINED PROFITS		
Reported Retained Profits At The End Of The Year	562	343
Adjustment On Adoption Of AIFRS	(5 541)	(3 083)
Restated Retained Profits At End Of Year	(4 979)	(2 740)
RESTATEMENT OF CURRENT PROVISION FOR EMPLOYEE BENEFITS (RETIREMENT BENEFITS)		
Balance At End Of Year - As Previously Reported	3 291	2 802
Adjustment On Adoption Of AIFRS	1 405	698
Restated Balance At End Of Year	4 696	3 500
RESTATEMENT OF NON-CURRENT PROVISION FOR EMPLOYEE BENEFITS (RETIREMENT BENEFITS)		
Balance At End Of Year - As Previously Reported	9 684	9 577
Adjustment On Adoption Of AIFRS	4 136	2 385
Restated Balance At End Of Year	13 820	11 962

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

(c) Basis Of Valuation Of Non-Current Assets

Non-current assets have been valued at cost, with the exception of land, buildings and the bus fleet, which were independently valued at 30 June 2004 which equates to fair value. Refer Notes 6(b) and 6(c).

(d) Borrowings

Loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accruals basis.

(e) Depreciation

Fixed assets other than freehold land and the bus fleet have been depreciated over their useful lives using the straight-line method. The following estimated useful lives are used in calculation of depreciation:

Buildings	40 years
Route Infrastructure	10 years
Other Plant and Equipment	10 years
Electronic Ticketing	10 years
Information Technology Equipment	4 years
Auxiliary Vehicles	4 years

The bus fleet has been depreciated using the depreciation profile recommended in Anderson's 2001 valuation report, the "Adjusted Industry Rule of Thumb".

(f) Goods And Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except for receivables and payables that are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from the ATO, are classified as operating cash flows.

(g) Licences

Licences held by the subsidiary company, which allow it to operate timetabled services on specified routes and provide charter services, have been recorded at cost and amortised on a straight line basis over a period of 10 years.

(h) Investments

Funds are invested as authorised by the Trustee Act 1898. Funds are managed by an external fund manager. Investments are in the form of a "cash indexed guarantee fund". Interest income is brought to account on the basis of the fund book value. Investments are carried at the lower of cost and recoverable amount.

(i) Inventories

Inventories have been valued at the lower of average cost or net realisable value, with the exception of reconditioned stock which is valued at the lower of historic cost or net realisable value. Inventories consist of bus spare parts, fuel and consumable stores.

(j) Employee Benefits

(i) Retirement Benefits Fund Entitlements

The provision for Retirement Benefits covers employees who are contributory members, former employees in receipt of pension, and preserved entitlements retained for former employees. With respect to contributors, their scheme is a defined benefits scheme.

Each year, the State Actuary conducts a valuation of the past service and accrued liabilities within the Retirement Benefits Fund defined benefit scheme at the reporting date. Any shortfall between the value of these benefits and the market value of the Retirement Benefits Fund assets relevant for those members determines the value of any unfunded superannuation liability, and is shown as a liability in the Statement of Financial Position.

The funding status of Metro Tasmania's share of the defined benefit schemes at the reporting date, based on actuarial valuations, is summarised as follows:

Retirement Benefits Act 1993	30 June 2005 $
Vested Benefits	19,059,068
Accrued Benefits	17,973,206
Net Market Value of Plan Assets	4,998,367
Deficit	12,974,839

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

The assumptions that were used to determine these amounts are set out in a Report prepared by Price Waterhouse Coopers, dated July 2005. The main economic assumptions were:

Discount Rate	7.0%	p.a.
Salary Increase Rate	4.5%	p.a.
AWOTE Increases	4.0%	p.a.
CPI Increases	2.5%	p.a.

(ii) Compensated Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and it is capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and long service leave, expected to be settled within 12 months of the reporting date, have been calculated at undiscounted amounts based on remuneration rates that Metro expects to pay including related on-costs in accordance with AASB 1028 'Employee Benefits'.

The provision for long service leave not expected to be settled within 12 months of the reporting date is measured as the net present value of the estimated future cash outflows to be made resulting from past service of employees up to the reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs. The expected settlement dates have been adjusted for turnover history and is discounted using the Wage Inflation and Discount Rate supplied by the Department of Treasury and Finance.

Sick leave entitlements are non-vesting and are expensed as incurred; consequently no provision has been made in the financial statements.

(k) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation, the timing or amount of which is uncertain.

Dividends

Provisions for dividends payable are recognised in the reporting period in which they are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash. No dividend was recommended by the Board prior to the end of the current financial year.

(l) Taxation

Tax-effect accounting principles are adopted whereby income tax equivalent expense is calculated on pre-tax accounting profits after adjustment for permanent differences. Tax-effect of timing differences, which occur when items are included or allowed for income tax equivalent purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

In the ASIC's view, for the 'virtually certain' test to be satisfied in respect of income tax equivalent losses, there must be an extremely high level of probability (only marginally less than absolute certainty) that the deferred tax asset will be realised.

During the financial year, the directors elected that the company and its wholly-owned Australian resident entities would join a tax-consolidated group. As a result, all income tax expenses, revenues, assets and liabilities of the members of the tax-consolidated group are recognised in the financial statements of the parent entity.

(m) Principles Of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the economic entity, being Metro Tasmania Pty Ltd (the parent entity) and its controlled entity Metro Coaches (Tas) Pty Ltd. Refer Note 23. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the economic entity are eliminated in full.

(n) Revenue Recognition

Traffic operation revenue is recognised at the time the service is provided.

(o) Segment Reporting

Metro Tasmania Pty Ltd operates bus services in Hobart, Launceston and Burnie. There are no reportable segments as the economic risks and returns in each location are relatively the same given the CSA contract with Government.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

2. Receivables

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Accounts Receivable	980	946	980	907
Less Provision for Doubtful Debts	0	0	0	0
	980	946	980	907
Movements in Provision for Doubtful Debts				
Balance Brought Forward	0	1	0	1
Add Increase / (Less Decrease) to Provision	1	1	1	1
	1	2	1	2
Less Amounts Written Off	(1)	(2)	(1)	(2)
Balance Brought Forward	0	0	0	0

All delinquent accounts have been reviewed and it is considered that the provision of $181 (2004 $343) is adequate. Debts of $17,476 (2004 $1,458) have been written off as unrecoverable.

2. Inventories

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Inventories	929	859	929	858
Less Provision for Obsolescence	(68)	(66)	(68)	(66)
	861	793	861	792
Movements in Provision for Stock Obsolescence				
Balance Brought Forward	66	66	66	66
Add Adjustment to Provision	2	0	2	0
	68	66	68	66
Less Disposals and Amounts Written Off	0	0	0	0
Balance Brought Forward	68	66	68	66

Provision of $67,694 (2004 $65,608) has been made for obsolete and damaged stock and to reduce the value of stock to the lower of average cost (with the exception of reconditioned stock which is at historical cost) or realisable value.

2. Other Financial Assets

		Consolidated		Company	
		2005 $000's	2004 $000's	2005 $000's	2004 $000's
Shares in Controlled Entity - One $1 Share		0	0	0	0
Current Investments - At Market Value					
Cash Indexed Guaranteed Fund	Note 24	9 337	5 990	9 337	5 990

5. Other Current Assets

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Prepayments	461	460	461	450

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

6. Property, Plant And Equipment

	Company				
	Balance at 1 July 2004 $000's	Additions $000's	Disposals $000's	Revaluation $000's	Balance at 30 June 2005 $000's
Gross Carrying Amount					
Land & Buildings - At Independent Valuation June 2004	9 486	159	0	0	9 645
Route Infrastructure - At Cost	1 914	74	0	0	1 988
Office Equipment - At Cost	2 827	234	(90)	0	2 971
Electronic Ticketing & Communication Equipment - At Cost	3 483	63	0	0	3 546
Plant & Equipment - At Cost	1 009	8	0	0	1 017
Auxiliary Vehicles - At Cost	547	219	(246)	0	520
Buses - At Independent Valuation June 2004	19 904	2 321	(270)	(159)	21 796
Work in Progress - At Cost	881	0	(714)	0	167
	40 051	3 078	(1 320)	(159)	41 650

	Company				
	Balance at 1 July 2004 $000's	Disposals $000's	Depreciation $000's	Revaluation $000's	Balance at 30 June 2005 $000's
Accumulated Depreciation					
Land & Buildings - At Independent Valuation June 2004	0	0	102	0	102
Route Infrastructure - At Cost	1 538	0	65	0	1 603
Office Equipment - At Cost	2 408	(90)	151	0	2 469
Electronic Ticketing & Communication Equipment - At Cost	3 393	0	20	0	3 413
Plant & Equipment - At Cost	888	0	20	0	908
Auxiliary Vehicles - At Cost	304	(202)	112	0	214
Buses - At Independent Valuation June 2004	0	(20)	2 812	0	2 792
Work in Progress - At Cost	0	0	0	0	0
	8 531	(312)	3 282	0	11 501

		Company	
		2005 $000's	2004 $000's
Net Book Value			
Land & Buildings - At Independent Valuation June 2004	Note 1(c)	9 543	9 486
Route Infrastructure - At Cost		385	376
Office Equipment - At Cost		502	419
Electronic Ticketing & Communication Equipment - At Cost		133	90
Plant & Equipment - At Cost		109	121
Auxiliary Vehicles - At Cost		306	243
Buses - At Independent Valuation June 2004	Note 1(c)	19 004	19 904
Work in Progress - At Cost		167	881
		30 149	31 520

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

6. Property, Plant And Equipment (continued)

	Consolidated				
	Balance at 1 July 2004 $000's	Additions $000's	Disposals $000's	Revaluation $000's	Balance at 30 June 2005 $000's
Gross Carrying Amount					
Land & Buildings - At Independent Valuation June 2004	9 486	159	0	0	9 645
Route Infrastructure - At Cost	1 956	32	0	0	1 988
Office Equipment - At Cost	2 828	233	(90)	0	2 971
Electronic Ticketing & Communication Equipment - At Cost	3 506	40	0	0	3 546
Plant & Equipment - At Cost	1 009	8	0	0	1 017
Auxiliary Vehicles - At Cost	547	219	(246)	0	520
Buses - At Independent Valuation June 2004	20 713	1 512	(270)	(159)	21 796
Work in Progress - At Cost	881	0	(714)	0	167
	40 926	2 203	(1 320)	(159)	41 650

	Consolidated				
	Balance at 1 July 2004 $000's	Disposals $000's	Depreciation $000's	Revaluation $000's	Balance at 30 June 2005 $000's
Accumulated Depreciation					
Land & Buildings - At Independent Valuation June 2004	0	0	102	0	102
Route Infrastructure - At Cost	1 544	(11)	70	0	1 603
Office Equipment - At Cost	2 408	(91)	152	0	2 469
Electronic Ticketing & Communication Equipment - At Cost	3 402	(12)	23	0	3 413
Plant & Equipment - At Cost	888	0	20	0	908
Auxiliary Vehicles - At Cost	304	(202)	112	0	214
Buses - At Independent Valuation June 2004	0	(104)	2 896	0	2 792
Work in Progress - At Cost	0	0	0	0	0
	8 546	(420)	3 375	0	11 501

		Consolidated	
		2005 $000's	2004 $000's
Net Book Value			
Land & Buildings - At Independent Valuation June 2004	Note 1(c)	9 543	9 485
Route Infrastructure - At Cost		385	412
Office Equipment - At Cost		502	420
Electronic Ticketing & Communication Equipment - At Cost		133	104
Plant & Equipment - At Cost		109	121
Auxiliary Vehicles - At Cost		306	243
Buses - At Independent Valuation June 2004	Note 1(c)	19 004	20 713
Work in Progress - At Cost		167	881
		30 149	32 379

(a) Disposal Of Non-Current Assets

Non-current assets of written down value $321,589 (2004 $82,044) were sold during the year. No assets were written off during the year (2004 $ nil). Gross proceeds of $448,085 (2004 $121,248) were received, resulting in a profit/ (loss) on sale of $126,496 (2004 $39,204).

(b) Valuation Of Land And Buildings

An independent valuation of freehold land and buildings was performed as at 30 June 2004 by Mr A Pitt Dip.Val. AAPI AREI Certified Practicing Valuer of Saunders & Pitt. This valuation was performed on the basis of "current market value for existing use".

(c) Valuation Of Buses

An independent valuation of "in service" buses was performed as at 30 June 2004 by Mr R.A. van Raay AAPI, ASA (M&TS), AIMM Certified Practising Valuer (P&M) of Ernst & Young. The valuation was performed on the basis of "market value for existing use". This approach assumes that the asset could be sold in the market for its existing use. Buses for sale at 30 June 2005 were written down by $159,240 after assessing their fair value against previous revaluation increments in the asset revaluation reserve.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

7. Intangibles

		Consolidated		Company	
		2005 $000's	2004 $000's	2005 $000's	2004 $000's
Licences - At Cost	Note 1 (g)	63	161	63	0
Less Accumulated Amortisation		0	(82)	0	0
		63	79	63	0

8. Other Non Current Assets

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Loan to Subsidiary, Metro Coaches (Tas) Pty Ltd	0	0	0	1 400
Receivables	193	193	193	193
	193	193	193	1 593

9. Payables

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Payables	2 809	2 626	2 916	3 197

10. Interest-Bearing Liabilities

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Tascorp Borrowings	2 792	2 792	2 792	2 792
Treasury Borrowings	35	69	35	69
Total Borrowings	2 827	2 861	2 827	2 861
Movements in Borrowings				
Current				
Not later than 1 year	35	2 826	35	2 826
Non-Current				
Later than 1 year and not later than 2 years	2 792	35	2 792	35
Total Borrowings	2 827	2 861	2 827	2 861

11. Provisions

		Consolidated		Company	
		2005 $000's	2004 $000's	2005 $000's	2004 $000's
Current					
Retirement Benefits	Note 1(j)(i)	3 291	2 802	3 291	2 802
Compensated Benefits*	Note 1(j)(ii)	3 272	2 968	3 272	2 934
Workers Compensation		170	184	170	184
Redundancies		243	0	243	0
		6 976	5 954	6 976	5 920
Non-Current					
Retirement Benefits	Note 1 (j)(i)	9 684	9 577	9 684	9 577
Compensated Benefits*	Note 1(j)(ii)	657	717	657	689
		10 341	10 294	10 341	10 266
		17 317	16 248	17 317	16 186

*The aggregate compensated benefits as at 30 June 2005 are $3,928,994 (2004 $3,685,089)
Annual Leave $1,424,463 (2004 $1,284,429)
Long Service Leave $2,504,531 (2004 $2,400,660)
Accrued Wages $330,325 (2004 $201,006) are disclosed in payables.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

12. Contributed Equity

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Issued Capital				
Two shares of $1 each				
Contributed Equity	15 503	15 503	15 503	15 503

13. Reserves

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Reserves Comprise				
Asset Revaluation Reserve	5 373	5 704	5 373	5 665
Movements in Reserves - Asset Revaluation Reserve				
Balance at Beginning of Financial Year	5 704	1 017	5 665	954
Revaluation of Land	0	1 749	0	1 749
Revaluation of Buildings	0	119	0	119
Revaluation of Bus Fleet	0	2 833	0	2 845
Disposal of Revalued Buses	(172)	(14)	(133)	(2)
Disposal of Revalued Land	0	0	0	0
Disposal of Revalued Building	0	0	0	0
Write Down of Buses to Recoverable Amount	(159)	0	(159)	0
Balance at End of Financial Year	5 373	5 704	5 373	5 665

The asset revaluation reserve arises on revaluation of non-current assets. Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred to retained profits.

14. Retained profits

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Balance at Beginning of Financial Year	343	266	284	221
Net Profit / (Loss)	47	63	38	61
Transfer from Asset Revaluation Reserve	172	14	133	2
Balance at End of Financial Year	562	343	455	284

15. Total Equity

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Total Equity at Beginning of Financial Year	21 550	16 786	21 452	16 678
Total Changes in Equity Recognised in the Statement of Financial Performance	47	63	38	61
Revaluation of Assets	0	4 701	0	4 713
Write Down of Assets to Recoverable Amount	(159)	0	(159)	0
Total Equity at End of Financial Year	21 438	21 550	21 331	21 452

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

16. Directors' Remuneration

The Board of Directors of Metro Tasmania Pty Ltd was composed of the following individuals during 2005:

Ms Sally Denny (Chairperson)
Mr Michael Wisby (Deputy Chairperson)
Ms Ketrina Clarke
Ms Janie Dickenson
Mr Robert Flanagan

Directors fees of $58,238 (2004 $67,546) and superannuation contributions of $15,950 (2004 $6,237) were paid in the period to 30 June 2005.

The number of Directors whose total remuneration falls within each successive $10,000 band of income:

	Company	
	2005 No.	2004 No.
$0 - $9,999	0	2
$10,000 - $19,999	4	3
$20,000 - $29,999	1	1

There were no transactions with Directors or Director related entities during the financial year.

17. Auditors' Remuneration

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Amounts payable to the Auditor-General in respect of Auditing the Financial Report	50	49	43	42

18. Profit From Ordinary Activities

Profit from ordinary activities before income tax equivalent expense includes the following items of revenue and expense:

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Operating Revenue				
Traffic Operations	32 269	30 457	30 912	29 164
Interest Revenue	546	477	546	517
Advertising Income	386	495	386	476
Rental Income	71	67	71	67
Other Income	204	272	219	311
Non Operating Revenue				
Net Profit / (Loss) from Sale of Property, Plant & Equipment	126	40	126	34
Operating Expenses				
Amortisation Expense	16	16	0	0
Depreciation Expense	3 375	3 128	3 282	3 032
Bad & Doubtful Debts Expense	1	1	1	1

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

19. Notes To The Statement Of Cash Flows

(a) For Purposes Of The Statement Of Cash Flows Cash Is Considered To Include Cash On Hand And In Banks, But Excludes Cash Held As An Investment.

Cash as shown in the Statement of Cash Flows is reconciled to the beginning and end of financial year as follows:

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Cash at Bank and at Call	2 347	2 445	2 347	2 444

(b) Reconciliation Of Net Cash Provided By Operating Activities To Profit From Ordinary Activities After Related Taxation Equivalent

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Profit from Ordinary Activities after Related Taxation Equivalent	47	63	38	61
Add Depreciation	3 373	3 128	3 282	3 032
Add Amortisation	16	16	0	0
Add Increase / (Less Decrease) in Provision for Doubtful Debts	0	(1)	0	(1)
(Less Increase) / Add Decrease in Debtors and Other Receivables	342	(750)	494	(613)
Add Increase / (Less Decrease) in Provision for Inventory Obsolescence	2	0	2	0
(Less Increase) / Add Decrease in Inventory	(72)	3	(72)	0
Add Increase / (Less Decrease) in Accounts Payable	510	957	507	963
Add Increase / (Less Decrease) in Provision for Revenue Maintenance Payment	0	(158)	0	(158)
Add Increase / (Less Decrease) in Employee Entitlements	932	1 119	900	1 117
Add Increase / (Less Decrease) in Provision of Redundancies	243	0	243	0
Add Increase / (Less Decrease) in Provision for Workers Compensation	(14)	0	(14)	0
(Less Profit) / Add Loss on Sale of Property, Plant & Equipment	(127)	(40)	(127)	(34)
Add Increase / (Less Decrease) in GST Control	(107)	211	(107)	211
Net Cash Provided by Operating Activities	5 145	4 548	5 146	4 578

(c) Credit And Standby Facilities

Details of the limit and usage of corporate credit cards as at 30 June are as follows:

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Facility Limit	10	10	10	10
Less Used / Committed	0	0	0	0
Balance of Facility Available	10	10	10	10

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

20. Taxation Equivalents

(a) The Prima Facie Tax Equivalent Expense On Operating Profit Is Reconciled To The Taxation Equivalent Payable Provided In The Financial Statements As Follows:

		Consolidated		Company	
		2005 $000's	2004 $000's	2005 $000's	2004 $000's
Profit from Ordinary Activities Before Taxation Equivalent		47	63	38	61
Income Tax Equivalent Expense Calculated at 30%		14	19	11	18
Permanent Differences:					
Non-deductible Depreciation on Buildings		31	32	31	32
Amortisation of Intangibles		5	5	0	0
Depreciation on Revaluation Increment		78	10	78	6
Non-Deductible Expenses		1	0	1	0
Building Allowance Write-off		(125)	(124)	(125)	(124)
Timing Differences and Tax Losses not Brought to Account as Future Income Tax Benefits	Note 20(b)	(4)	58	4	46
Impact Of The Tax Consolidation System:					
Initial Recognition of Deferred Tax Balances of Subsidiaries on Implementation of the Tax Consolidation System		0	0	0	12
Current and Deferred Taxes Relating to Transactions, Events and Balances of Wholly-Owned Subsidiaries in the Tax Consolidated Group		0	0	(92)	(24)
Non-assessable and Non-deductible Amounts Related to Transactions within the Tax Consolidated Group		0	0	100	34
		(14)	(19)	(11)	(18)
Income Tax Equivalent Expense Attributable to Operating Profit / (Loss) Before Income Tax Equivalent		0	0	0	0

(b) Future Income Tax Benefit Not Brought To Account, The Benefit Of Which Will Only Be Realised If The Conditions For Deductibility Set Out In Note 1(l) Occur

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Timing Difference - Revenue	4 016	4 567	3 905	4 567
Timing Difference - Capital	0	0	0	0
Tax Losses	3 421	2 698	3 360	2 698
	7 437	7 265	7 265	7 265

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

(a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;

(b) conditions for deductibility imposed by the law are complied with; and

(c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

The company and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2003. The head entity within the tax-consolidated group for the purposes of the tax consolidation system is Metro Tasmania Pty Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

21. Commitments And Contingent Liabilities

	Consolidated		Company	
	2005 $000's	2004 $000's	2005 $000's	2004 $000's
Capital Expenditure Commitments				
Not longer than one year - contracted	3 080	1 167	3 080	1 167

Contingent Liabilities
Dispute with supplier of goods. Metro is advised that the estimated cost will not exceed $85,000. Metro believes the claim can be successfully defended and therefore no loss will be incurred.

22. Economic Dependency

A significant volume of Metro's operations are performed under contract to the State Government. The current contract has been extended and will expire on 30 June 2006.

Revenue received under the service contract for the year ended 30 June 2005 was $22,617,766.

23. Controlled Entity

	Country of Incorporation	Ownership Interest
Parent Entity		
Metro Tasmania Pty Ltd	Australia	
Controlled Entity		
Metro Coaches (Tas) Pty Ltd	Australia	100% from 7 May 1999

After 30 June 2005, Metro Coaches (Tas) Pty Ltd will not be an actively trading entity (Note 1(a)).

24. Financial Instruments

Cash
Cash is measured at nominal amounts. Exposure to interest rate and credit risks is considered to be minimal.

Receivables
Trade receivables and other receivables are recorded at nominal amounts due less any provision for doubtful debts (Note 2). A significant volume of Metro's operations are performed for the State Government or are received as cash fares. Accordingly, exposure to credit risk is minimal. Trade Receivables are recognised on delivery of services to customers.

Investments
Metro's investment portfolio as per Note 4 is brought to account at lower of "written up book value" or "market value" which equates to fair value.

Accounts Payable
Accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods or services. Measurement is based on the agreed purchase/contract cost. The amounts are unsecured and are normally settled within 30 days.

Borrowings
Borrowings are carried on the Statement of Financial Position at their face value. Tascorp borrowings are interest only, at a rate of 5.89% and mature on 16 March 2008. The term of Treasury loan funds is to 1 July 2005 and they are subject to a weighted average interest rate of 10.33% plus guarantee fees. The net fair value of the loans at 30 June 2005 using discounted cash flow analysis based on similar types of borrowing arrangements has been estimated as follows:

	Net Fair Value
Tascorp Borrowings	$2,838,362
Treasury Borrowings	$36,113

Refer Note 10 for timing of future repayments.
Interest expense is accrued at the contracted rate and is included in Payables.

RECOGNITION OF STAFF ACHIEVEMENTS

During the year ending 30 June 2005 the following Metro staff have successfully completed the Certificate in Transport and Distribution (Road Transport).

Certificate II in Transport and Distribution (Road Transport)

Katrina Fahey

Certificate III in Transport and Distribution (Road Transport)

Wendy	Anderson	Anita	Johnson
Susan	Bryce	Melinda	Kok
Ann	Chatwin	Rhonda	Lee
Jan	Collins	Gayleen	Richardson
Alicia	Eaton	Sandra	Scott
Cheryl	Gardam	Lisa	Sullivan
Karen	Hadley	Helen	Tucker
Sharyn	Harper	John	Wilson
		Julie	Wing

Metro operates a "compliment of the month" scheme to recognise employees that deliver exceptional customer service. "Compliment of the month" recipients are selected from public commendations asking for that driver to be thanked or recognised for some act of exceptional service delivery in the eyes of that member of the public. In some months no award is issued if there is no suitable nominations from the public. In listing recipients of the "compliment of the month" award Metro wishes to acknowledge that many of its staff exhibit very high levels of customer service as part of their normal working days, but a member of the community may not take the trouble to approach Metro to nominate them for exceptional service.

The following Metro employees received "compliment of the month" awards in 2004/05:
Geoff Round (Photo unavailable)

Gerard Kingston

Karen Hadley

Rodney Pearce

Ron Dawes

Sue Smith

Victoria Tracey